

Message Text

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SUBJECT: GOVERNMENT DECREES WAGE POLICY FOR 1974

1. SUMMARY: UNIONS' AND EMPLOYERS' FAILURE AGREE ON 1974 WAGE GUIDELINES PROMPTED GOVERNMENT IMPOSE SETTLEMENT UNDER PROVISIONS OF ENABLING ACT. GOVERNMENT'S PROPOSAL PROVIDES SLIGHT REAL WAGE INCREASE FOR LOWER INCOME GROUPS AND REPRESENTS STEP TOWARD ACHIEVING GOAL OF INCOME LEVELING AND REDISTRIBUTION. GOVERNMENT'S WAGE POLICY ACCOMPANIED BY TAX REDUCTION PROPOSALS DESIGNED TO STIMULATE ECONOMY AND REDUCE UNEMPLOYMENT. NEW WAGE PROGRAM HAS BEEN GREETED WARMLY BY LABOR PARTY AND CRITICIZED BY OPPOSITION LIBERALS. UNIONS ARE "REASONABLY SATISFIED" WITH GOVERNMENT'S SOLUTION, WHILE EMPLOYERS CLAIM WAGE INCREASES WILL CAUSE PROBLEMS FOR WEAKER SEGMENTS OF ECONOMY. END SUMMARY.

2. IN LIGHT EMPLOYERS' AND UNIONS' FAILURE REACH AGREEMENT ON 1974 CENTRAL ACCORD (VOLUNTARY AGREEMENT ON WAGES AND PRICES WHICH WOULD BE MODEL FOR ALL COLLECTIVE LABOR AGREEMENTS (CAOS) IN 1974, GOVERNMENT, USING POWERS UNDER ENABLING ACT, HAS IMPOSED OWN SOLUTION. GOVERNMENT PROPOSAL PROVIDES 15 GUILDER INCREASE
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PER MONTH TO TAKE EFFECT THREE MONTHS AFTER EXPIRATION CURRENT

CAOS. THIS MEANS 15 GUILDER RAISE EFFECTIVE APRIL 1. NEW MEASURE AIMS AT ENSURING DISPOSABLE INCOME OF THOSE EARNING LESS THAN 17,500 GUILDERS PER YEAR NOT DIMINISHED. ON APRIL 1 A 3 PERCENT ADVANCE WILL BE PAID ON INFLATION COMPENSATION. HALF OF THIS WILL BE SET OFF AGAINST NORMAL COMPENSATION DUE SIX MONTHS AFTER EXPIRATION OF CAOS AND THE OTHER HALF AT THE END OF 1974. GOVERNMENT'S MEASURE DOES NOT DIFFER SIGNIFICANTLY FROM THE EMPLOYERS' POSITION DURING NEGOTIATIONS WITH THE UNIONS.

3. GOVERNMENT ALSO ANNOUNCED APPROXIMATELY 2 BILLION GUILDER PACKAGE OF MEASURES WHICH AIMED AT STIMULATING ECONOMY. THESE INCLUDE 750 MILLION REDUCTION IN WAGE AND INCOME TAX EFFECTIVE JULY 1. FAMILIES WITH TWO CHILDREN AND ANNUAL INCOME OF 13,000 GUILDERS WOULD GET TAX REDUCTION OF 10 GUILDERS PER MONTH, OR NEARLY 1 PERCENT. FAMILIES WITH INCOME OF 32,000 WOULD HAVE REDUCTION OF 17 GUILDERS PER MONTH OR APPROXIMATELY .63 PERCENT, WHILE THOSE WITH INCOME OF 120,000 GUILDERS AND UP WOULD PAY 30 PER MONTH LESS OR .29 PERCENT. 560 MILLION RESULTS FROM RENEWAL OF THE INVESTMENT DEDUCTION ON INDUSTRIAL EQUIPMENT AND ALSO FROM INCREASE IN INVESTMENT DEDUCTIONS FOR NEW BUILDINGS. THE GOVERNMENT HAS ALLOCATED 600 MILLION ADDITIONAL FOR GOVERNMENT EXPENDITURES, 220 MILLION OF WHICH WILL GO DIRECTLY TO THE MUNICIPALITIES. THERE IS AN ADDITIONAL 100 MILLION PROVIDED FOR NEW HOME CONSTRUCTION IN 1974.

4. COMMENTING ON GOVERNMENT IMPOSED WAGE SETTLEMENT, SOCIAL AFFAIRS MINISTER BOERSMA SAID "THERE IS LITTLE DIFFERENCE BETWEEN PROPOSALS OF TRADE UNIONS AND EMPLOYERS BUT BOTH SIDES WERE UNABLE TO AGREE." THE MINISTER NOTED EMPLOYEES WITH A GROSS INCOME OF 13,000 GUILDERS WOULD SEE REAL INCOME INCREASE BY 1.5 PERCENT. NVV CHAIRMAN KOK TERMED SETTLEMENT AND GOVERNMENT PROPOSALS "REASONABLE." FORMER MINISTER VAN VEEN, PRESIDENT OF FEDERATION OF DUTCH INDUSTRIES (VNO), THOUGHT THAT PRICE COMPENSATION IMPOSED BY GOVERNMENT COULD ENDANGER WEAKER SEGMENTS OF ECONOMY, E.G. THE TEXTILE AND READY-MADE CLOTHING INDUSTRIES AS WELL AS THE RETAIL TRADE. REPRESENTATIVES OF RETAILERS ORGANIZATIONS, WHICH ANTICIPATE 28-30 PERCENT RISE IN WAGE COSTS, TERMED GOVERNMENT'S MEASURE "DISASTROUS" FOR RETAIL TRADE.

5. POLITICAL REACTION. LABOR PARTY FLOOR LEADER VAN THIJN
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TERMED GOVERNMENT'S MEASURES STRONG INCENTIVE FOR ECONOMY AND SPUR TO REDUCED UNEMPLOYMENT. VAN THIJN SAID DEN UYL GOVERNMENT HAD MANAGED TO GET COUNTRY THROUGH ENERGY CRISIS QUITE ABLY AND NEW MEASURES WOULD FURTHER STRENGTHEN HOLLAND'S POSITION. LIBERAL OPPOSITION SPOKESMAN ARGUED SMALL BUSINESSMAN DID NOT RECEIVE SUFFICIENT ATTENTION WHEN GOVERNMENT'S MEASURES FRAMED AND FELT SELF-EMPLOYED WERE PRINCIPAL VICTIMS OF NEW WAGE POLICY. LIBERALS EXPRESSED SATISFACTION, HOWEVER, WITH GOVERNMENT'S PLANS FOR

INVESTMENT TAX CREDITS. RADICAL FLOOR LEADER DE GAAY FORTMAN
PRAISED GOVERNMENT'S WAGE PLAN BUT SAID IT HAD NOT GONE FAR
ENOUGH IN TERMS OF LIMITING INCOMES OF TAXPAYERS IN HIGHER
BRACKETS. CONFESSIONAL REACTION TO GOVERNMENT'S PROPOSALS WOME-
WHAT SUBDUED.

6. COMMENT: KVP AND ARP ARE WARY OF ALIENATING SHOPKEEPERS,
SELF-EMPLOYED, ETC, BUT ARE EQUALLY WARY OF CRITICISM OF MEASURE
WHICH OBVIOUSLY HAS STRONG SUPPORT OF TRADE UNIONS. GOVERNMENT
IMPOSED WAGE SETTLEMENT COMES LITTLE MORE THAN WEEK BEFORE PRO-
VINCIAL ELECTIONS (MARCH 27). ON BALANCE, GOVERNMENT WAGE SETTLE-
MENT (WHICH INDEED DIFFERS LITTLE FROM POSITION UNIONS AND MAN-
AGEMENT ALMOST AGREED ON) AND TAX REDUCTION PROPOSALS SEEM TO
STRENGTHEN GOVT'S POSITION BY MAKING CLEAR TO VOTERS THAT IN
TIME OF GLOBAL ECONOMIC DISLOCATION CABINET HAS NO QUALMS ABOUT
ACTIVELY INTERVENING WHEN COLLECTIVE BARGAINING PROCESS BREAKS
DOWN. ON THE OTHER HAND KVP'S FORTUNES AT POLLS SEEM ALMOST
CERTAIN TO BE ADVERSELY AFFECTED IN VIEW OF ITS HEAVY RELIANCE
ON SUPPORT OF SMALL BUSINESS.
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